



Merced School Employees Federal Credit Union

December 31, 2010

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Changes to Credit Insurance Disclosures under Regulation Z and the
Truth-in-Lending Act
Docket No. R-1390

Dear Ms. Johnson:

I am writing in opposition to the proposed amendments to the credit insurance and debt protection disclosures under Regulation Z on behalf of Merced School Employees Federal Credit Union.

We believe that the proposed amendments:

- Would have significant negative impact to credit union members, credit unions, and the entire credit union industry.
- Will increase our credit union's risk of loan losses and charge-offs due to fewer members purchasing the coverage.
- Will make it even more difficult for consumers to understand how the APR is calculated and will make comparing the APRs of competing lenders impossible. APR calculations should be standardized.
- Cast payment protection products in an extremely negative light and strongly discourage the purchase of these products by consumers.
- Misrepresent the purpose and value of payment protection products to credit union members.
- Discourage members from purchasing payment protection products, thus putting their financial future at risk.
- Will cause a significant number of credit union members, who would benefit from these products, to elect not to purchase them because the disclosures lead them to believe payment protection products are bad for consumers.
- Will potentially expose members to unnecessary financial and credit risks if they decide not to purchase credit insurance on their loans.

Merced School Employees Federal Credit Union has been offering payment protection products for over 25 years. Over the years we have helped many members that had purchased this insurance to avoid leaving the debt to their families. Just to share a few I'm listing a few examples below:



Merced School Employees Federal Credit Union

- A 56 year old mother was diagnosed with cancer and passed away with a Visa debt of over \$7,000. Her family did not have to worry about this, since she had purchased credit life, the entire balance was paid off.
- A 61 year old female was diagnosed with cancer and has been on disability since 11/09. She has not had to worry about her payments (2 loans) in addition to her diagnosis because she purchased credit disability and the monthly payments of \$482 have been made for over a year.
- A 53 year old male became disabled in 2004. He owed a 2nd mortgage on his home and his monthly payments of \$602 were paid since 2004. The credit life coverage paid off the loan in 2010 when he was diagnosed as permanently disabled.

Merced School Employees Federal Credit Union has always supported fair and accurate disclosures to members who purchase payment protection products. Please revise the proposed amendments in order to provide the consumer with more accurate and balanced information about payment protection products.

Sincerely,

Lori Smith
Loan Manager
Merced School Employees FCU